Columbia Power Corporation

2015/16 – 2017/18
SERVICE PLAN

BRITISH
COLUMBIA

COLUMBIA
POWER
POSITIVE ENERGY

For more information on the Columbia Power Corporation contact: Bree Seabrook

Location:

Suite 200, 445 13th Ave. Castlegar, B.C.

Contact Informtion

Email: Bree.Seabrook@columbiapower.org

or visit our website at
columbiapower.org

Accountability Statement

The 2015/16 - 2017/18 Columbia Power Corporation (Columbia Power) service plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. I am accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

All significant assumptions, policy decisions, events and identified risks, as of January 7, 2015 have been considered in preparing the plan. The performance measures presented are consistent with Columbia Power's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of Columbia Power's operating environment, forecast conditions, risk assessment and past performance.

Signature

Lee Doney,

Board Chair

Table of Contents

Strategic Direction and Context

Columbia Power Corporation (Columbia Power), a commercial Crown corporation, operates hydropower facilities as jointly owned investments with Columbia Basin Trust (the Trust). The service plan contemplates the continued safe and reliable operation of these facilities and the generation of clean hydropower. The service plan provides for Columbia Power to continue to use income from investments in operating facilities to reinvest in hydro projects, support community initiatives and return a dividend to the Province of British Columbia.

Each year, Columbia Power receives the Mandate Letter (the Letter) which sets out the corporate mandate, including high-level performance expectations, public policy issues and strategic priorities. The Letter directs Columbia Power to conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by government and to conduct its affairs to achieve the objectives of the Shareholder in a manner consistent with the Taxpayer Accountability Principles. Columbia Power's 2015/16 Mandate Letter outlines three priorities for the next year:

1. **Manage the construction of the Waneta Expansion to completion in 2015 – safely, on-schedule and on-budget, while meeting Columbia Power Corporation's community, First Nations and environmental commitments.** The project is on-schedule and on-budget. The project recently reached over 2.8 million person hours without a major safety or environmental incident. Columbia Power will continue to meet community, First Nations and environmental commitments.

2. **Report to Government on options identified by the Columbia Power Corporation/ BC Hydro Joint Development Committee**. Columbia Power has provided regular updates to the Ministry of Energy and Mines and will continue to do so throughout 2015/16.

3. **Maintain Columbia Power Corporation's record of safe operations by continuing to operate within all relevant safety standards and benchmarks.**

Columbia Power's power facilities operate in a domestic power market where there is a single dominant wholesale purchaser as well as independent power producers. Long-term firm transmission capacity to adjacent power markets in Alberta and the US Pacific Northwest is constrained due to transmission capacity limitations. The operating environment is complex and includes federal and provincial regulators, an international treaty, as well as local, regional, United States, and First Nations stakeholders. There are no anticipated changes to Columbia Power's operating environment that would significantly affect the results from operations.

Columbia Power scans its operating environment on a continuous basis to ensure risks that could impact performance are addressed. For this planning period, risks include: not completing the Waneta Expansion Project on time or on budget; maintaining operating facilities reliability; attracting and retaining key staff; maintaining positive relationships with First Nations and the community; and meeting regulatory, environmental and contractual commitments. Columbia Power manages these risks using a variety of strategies outlined in its risk matrix/management table.

Performance Plan - Goals, Strategies, Measures and Targets

- Columbia Power's performance measures framework follows the *Budget Transparency and Accountability Act* requirements for performance measures, benchmarks and targets are linked to specific goals, objectives and strategies. The framework also reflects Columbia Power's commitment to Taxpayer Accountability Principles of cost consciousness, accountability and appropriate compensation and adheres to the Performance Reporting Principles for the public sector. OAG Performance Reporting Principles.
- Columbia Power believes its performance measures are appropriate for its activities and present a fair picture of the company's performance against its mandate. Where possible, performance targets are verified by external benchmarks. The data underlying the company's performance is in almost all cases, independently audited or verified by a third party or parties. Source & Reliability of Performance Plan Data.
- As an unregulated power producer, Columbia Power is unique in an industry which is dominated by large, vertically integrated and regulated utilities. As such, finding suitable industry benchmarks is challenging. The following describes each goal, performance measure, the relevant benchmark, the strategy to achieve performance, and the overall importance of each measure to the company.

Goal 1: Success of the Waneta Expansion Project

- Manage the construction of the Waneta Expansion Project to completion in 2015 – safely, on-schedule and on-budget, while meeting Columbia Power's First Nations and environmental commitments.

Strategies

- Design-Build contract specifies commercial start-up date, on-schedule incentives.
- Design-Build contract has a fixed price, and includes penalties and incentives. Monthly forecast and risk registry reviews provide early detection.
- Meet or exceed all Environmental Assessment Certificate commitments.

Performance Measure 1: Waneta Expansion is on-schedule

Performance Measure	2013/14 Actual	2014/15 Forecast[2]	2015/16 Target	2016/17 Target	2017/18 Target
1.1 Waneta Expansion (WAX) is on-schedule **Benchmark:** Early or on-schedule (no negative variance from schedule)	WAX On-schdule	WAX On-schdule	WAX Completed On-schedule	N/A	N/A

Discussion

- Benchmark: The benchmark is for WAX to be completed on or before the Substantial Completion Milestone Date specified in the Design-Build contract:
- The target is to achieve no negative variance from schedule, indicating the project is tracking towards substantial completion early or on-schedule. Schedule delays will increase the cost of the Design-Build and other contracts and delay the project's ability to achieve commercial operation which would have an adverse financial impact on Columbia Power's income.

Performance Measure 2: Waneta Expansion is on-budget

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
1.2 Waneta Expansion (WAX) is on-budget **Benchmark:** On or under-budget (no negative variance from budget)	WAX On-budget	WAX On-budget	WAX Completed On-budget	N/A	N/A

Discussion

- The target is to achieve project completion on or under budget. Although the fixed-price contract provides as much construction price certainty as possible, project cost overruns could impair project economics. Increased cost results in increased investment costs for each of the partners and has the potential to negatively affect forecast return on investment.

Goal 2: Efficient and Reliable Plant Operations, Arrow Lakes Generating Station (ALH); Brilliant Expansion (BRX)

- Maintain Columbia Power's record of safe operations by continuing to operate within all relevant safety standards and benchmarks.

Strategies

- Agreements with BC Hydro provide each of ALH and BRX with an energy entitlement based only on availability of the operating units. Columbia Power's strategy is to maximize availability. External benchmarks are used for performance comparisons.
- Manage joint ventures effectively and efficiently and to achieve operations, maintenance and administration (OMA) costs within industry norms. External benchmark are used for performance comparisons.

Performance Measure: Equivalent Availability Rate

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
2.1.1 Equivalent Availability Rate (Hours) **Benchmark:** ALH: 90.5% BRX: 90.5%	ALH: 87.0% BRX: 89.4%	ALH: 88.7% BRX: 90.8%	ALH: 87.7% BRX: 89.2%	ALH: 84.4% BRX: 89.5%	ALH: 88.7% BRX: 89.5%
2.1.2 Equivalent Availability Rate (MWh) **Benchmark:** ALH: 96.9% BRX: 96.4%	ALH: 98.8% BRX: 97.8%	ALH: 99.2% BRX: 98.0%	ALH: 97.2% BRX: 97.0%	ALH: 98.4% BRX: 97.4%	ALH: 98.6 % BRX: 97.4 %
2.2 OMA Costs ($ per MWh) Benchmark: 7.1 (2nd Quartile)	ALH: 7.2 BRX: 13.2	ALH: 7.6 BRX: 9.4	ALH: 7.5 BRX: 10.3	ALH: 6.9 BRX: 12.8	ALH: 6.3 BRX: 9.4

Discussion

- Measure 2.1 - Reliable Plant Operations:

Plant availability benchmarks are a measure for Columbia Power to assess asset reliability performance relative to industry benchmarks and the corporation's own performance based on internal criteria. Targets reflect Columbia Power's annual performance forecasts based on outage durations required for planned maintenance, periods of major maintenance and capital projects. Asset reliability metrics have been reviewed extensively by Columbia Power to ensure a meaningful measure of availability is used. Columbia Power has engaged the service of Navigant Consulting Inc. to provide benchmarking services, including the provision of a report detailing the compilation of industry benchmarks. Columbia Power has received the 2014 Navigant study "Hydro2014: Hydroelectric Generation Benchmarking Program" (the Navigant Study). Columbia Power has identified two metrics for plant availability: Equivalent Availability Rate (Hours), and Equivalent Availability Rate (MWh). The Equivalent Availability Rate (Hours) references the Navigant Study as the benchmark. The Equivalent Availability Rate (MWh) references an internal benchmark.

- Measure 2.1.1 - Equivalent Availability Rate (Hours):
- Benchmark: The benchmark is 90.5% and is the five year average equivalent rate for medium-sized hydro plants in operation for less than forty-five years, as provided by the Navigant Study.
    - The long-term target is to meet or exceed the benchmark. Interim annual targets reflect extended periods of major planned maintenance for the facilities commencing in 2015/2016 and continuing into 2016/17 and 2017/18. As a result, there is a slight increase in the

potential for forced (unplanned) outages. Equivalent Availability Rate (hours) can be compared to other hydro operators with similar assets. The targets for this metric are based on forecast planned maintenance and forced outages. Major maintenance periods can vary in duration from the typical annual planned outages. Forced outages may increase during major equipment warranty periods, early plant lifecycle abnormalities and after major maintenance activities.

- Measure 2.1.2 - Equivalent Availability Rate (MWh)
- **Benchmark**: Columbia Power uses historic and forecast production levels based on internal data. The benchmark reflects an optimal scenario of reliable plant operation and efficiently completing maintenance outages. This metric is the number of entitlement megawatt-hours (MWh) available to each facility annually accounting for both planned and forced (unplanned) outages, relative to the total entitlement MWh available to each facility. This metric allows a comparison of Columbia Power's revenue capture performance relative to an internal benchmark.
    - The long-term target is to meet or exceed the benchmark. As the metric is entitlement-based, it is not comparable to external industry metrics, but is useful for Columbia Power's purposes. As with the Equivalent Availability Rate (Hours) metric, major maintenance periods can vary in duration from those expected. Forced outages may increase during major equipment warranty periods, early plant lifecycle abnormalities, and after major maintenance activities.
- Measure 2.2 – Operations, Maintenance and Administration Costs (OMA) ($ per MWh)
- **Benchmark**: Columbia Power participates in the Navigant Study annually to gauge plant performance relative to industry. A normalized version of the Partial Function Cost benchmark from the Navigant Study is used. Columbia Power adjusts the Partial Function Cost benchmark to allow for different input variables including physical generation versus entitlement and cost categorization differences. In addition, the adjusted benchmark normalized regional burdened labour rates and $CAD/$US conversions incorporated in the Navigant Study. This metric is the operations, maintenance and administration (OMA) costs for each facility divided (net of allowance for outages) by entitlement energy for that facility, in dollars per megawatt-hour (MWh). This metric is a measure of plant operational cost efficiency.
    - The long-term target is to manage the facilities effectively and efficiently and to achieve OMA costs within industry norms. Under the terms of the long-term, fixed-price power sales agreements, Columbia Power has limited ability to adjust the contract price to flow through cost increases. Brilliant Power Corporation is the exception. In that case, OMA costs flow through to FortisBC so Columbia Power/Trust joint venture revenues are not impacted. The OMA costs per megawatt hour for Brilliant Expansion over the forecast period are significantly higher than the benchmark. Brilliant Expansion OMA costs will continue to be higher than the benchmark due to the facility having one generation unit whereas most facilities in the benchmark group have two or more units.

Goal 3: Effective Financial Planning

- Effective financial planning is vital to the success of Columbia Power. The company continually develops and maintains sophisticated financial modeling tools that forecast over the service plan period, providing five year forecasts to the ministries and Treasury Board. Columbia Power utilizes

a 30-year enterprise model to conduct sensitivity analysis and identify long range volatility and opportunities.

Strategies

- Maximize revenues generated through investments in power projects and control costs associated with operations of existing facilites.
- Monitor and control corporate costs in adhearance to Taxpayer Accountability Principles through cost control measures and monthly variance reporting.
- Manage working capital to meet Columbia Power's mandate while returning free cash-flow to the shareholder through a dividend.

Performance Measure 1: Net Income

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
3.1 Net Income	20,242	9,779	18,595	43,174	44,121

Discussion

- Net income is the most appropriate measure to gauge the company's financial performance.
- Columbia Power's net income is closely monitored throughout the reporting period and all components are rigorously reviewed for reliability and consistency with government reporting standards and **Taxpayer Accountability Principles.**
- Service Plan targets are prepared in adherence to the principles of cost consciousness, accountability and appropriate compensation. Variances from target are reported, on a monthly basis, to a Finance and Audit Committee and on a quarterly basis to the Board of Directors and the Province. Corrective measures are taken to achieve forecast net income if variances are discovered.

Performance Measure 2: EBITDA Growth

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
3.2. EBITDA **Benchmark:** EBITDA growth	20,825	20,333	29,445	53,651	54,015

Discussion

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) is a measure of operating cash flow. EBITDA focuses on returns more directly influenced by management, and excludes those factors over which management has limited or no influence.

- **Benchmark**: External benchmarks are difficult to identify because Columbia Power, as a small, unregulated commercial Crown working within a large regulated environment, is unique. In terms of financial benchmarks, Columbia Power's corporate characteristics are somewhere between an independent power producer and a large regulated utility. The growth targets are based on

Columbia Power's historic and forecast performance. EBITDA is particularly effective as a means to compare the performance of the joint ventures entities. The strategy is to effectively manage and grow EBITDA.

- Columbia Power targets growth in EBITDA in each fiscal year. EBITDA is anticipated to grow moderately in 2015/16. When Waneta Expansion has a full year of operation and the new sales agreement for ALPC commences in 2016/17, EBITDA growth will be substantial.

Goal 4: Advance the Progress of the Columbia Power /BC Hydro Joint Development Committee (JDC)

- Report to Government on options identified by the Columbia Power Corporation/ BC Hydro Joint Development Committee.

Strategies

- The JDC is comprised of three representatives from each company and meets on a monthly basis to further the development of power projects.
- The JDC is responsible for identifying the principles, approach and timelines for projects which have development potential.
- The JDC is responsible for reviewing and approving project development and executing scope of work, timelines and budgets. The commercial terms applicable to each project will be determined based on its characteristics and economics.

Performance Measure 1: Development of New Projects.

Performance Measure	2013/14 Actual	2014/15 Forecast[2]	2015/16 Target	2016/17 Target	2017/18 Target
4.1 Development of New Projects **Benchmark:** Power Projects defined and approved for development	Continued activities of proposed projects ongoing Identification phase for project 1	Continue activities for new project(s) Identification phase for project 1	Continue activities for new project(s) Definition phase for project 1 Project approval as per CPC's Agency Agreement	Continue activities for new project(s) Construction for project 1 Identification, Definition and Construction activities continue	Continue activities for new project(s) Identification, Definition and Construction activities continue

Discussion

The JDC is exploring the development (or redevelopment, as applicable), construction and operation of BC Hydro-owned hydroelectric generating facilities throughout the Province.

The development of new projects requires careful management of "at risk" development and construction costs and balances these risks against the ultimate project risk at the point of commitment to proceed with the project. The JDC will determine the appropriate approach to managing risk through project-specific commercial agreements, procurement and risk transfer strategies.

As per Item 6 of the Amended and Restated Agency Agreement, March 26, 2009, Columbia Power is required to receive authorization from Treasury Board to make a Material Decision to construct purchase or otherwise aquire a power project.

Changes in Targets:

Goal 1 The Waneta Expansion project construction phase is anticipated to be completed in 2015. After the 2015/16 fiscal year the targets for the project will end as the facility transitions into operations. Once the facility transitions into operations, the performance targets and measures will be reflected in the performance measure 3.3 EBITDA. Columbia Power continues to target and monitor safety and enviromental regulatory compliance for the project. Safety and environmental compliance goals are critical to the succesful completion of the project. The benchmarks and targets remain unchanged and thus are not reported in the service plan.

Goal 2 The equivalent reliability rate in hours and MWh targets have been revised to reflect the most current projections of planned outages. Columbia Power continues to target and monitor safety and envirnmental regulatory compliance for the the facilities under management as these goals are critical to the ongoing safe and reliable operations of the facilities. The targets remain unchanged from prior years and thus are not reported in the service plan.

Goal 3 Annual revisions to Columbia Power's financial projections include all known and anticipated events that may affect revenues and expenditures. Targets in Goal 3 are adjusted annually to reflect the most recent forecasts for each joint venture entity and Columbia Power's consolidated financial position. Goal 3 targets have been revised to more effectively monitor and report on the company's alignment with Taxpayer Accountability Principles. The debt service coverage ratio has been dropped as a performance meausre as it primarily pertained to covenants for debt issue by an affiliated company. Net income has been adopted as a performance measure which is in closer alignment with Taxpayer Accountability Principles. The return on equity target has been dropped as it was historically measured against that of a benchmank utility. Following the capital restructuring of Columbia Power its capital structure has moved closer to that of an independent power producer.

Goal 4 Changes to the goals and targets are updated to reflect progress of the JDC.

Financial Plan

The following financial overview presents the actual performance for 2013/14; the forecast for the current year 2014/15; and forecasts for 2015/16, 2016/17 and 2017/18. The financial overview includes:

For Columbia Power - Consolidated Statement of Income Forecast, Capital Plan for Major Projects.

For the joint venture entities – Summary of Financial Tables (non-IFRS presentation) for Arrow Lakes Power Corporation, Brilliant Power Corporation and Brilliant Expansion Power Corporation are included in Appendix 1.

Financial outlook - The financial outlook for the forecast period indicates significant growth in net income in 2015/16 and again in 2016/17. This growth is due to Waneta Expansion anticipated to commence commercial operation in 2015 and Arrow Lakes receiving higher power prices in January 2016.

Management's perspective on the financial outlook for the 2015/16 - 2017/18 planning period - The financial outlook for the planning period is predicted to have areas of potential volatility. The primary concern would be the reliability of income from the Waneta Expansion Limited Partnership (WELP). As the Waneta Expansion Project nears substantial completion and the facility transitions to operations the income anticipated from WELP could be affected by unforeseen incidents at the start of operations that may impact forecast revenues. Greater certainty in the income projection from WELP will be known after final acceptance, anticipated in fiscal 2017/18.

The development of new projects through the JDC is evolving. A commercial agreement on the first project has yet to be finalized and is contingent on a number of factors, some of which are out of Columbia Power's control. Investment in new projects may be delayed although at this point JDC activities are progressing on schedule.

Consolidated Statement of Income Forecast

$ IN THOUSANDS	2013/14 Actual	2014/15 Forecast	2015/16 Budget	2016/17 Plan	2017/18 Plan
OPERATING REVENUE					
Services Agreement	1,832	2,500	1,415	649	445
Management Fee	-	50	368	386	405
INCOME (LOSS) FROM EQUITY ACCOUNTED INVESTEES					
Brilliant Power Corporation	10,334	10,787	11,230	11,661	12,100
Brilliant Expansion Power Corporation [1]	11,293	10,203	10,588	10,802	9,662
Arrow Lakes Power Corporation[2]	66	(147)	884	15,602	16,326
Waneta Expansion Power Corporation	1,054	1,113	1,176	1,242	1,312
Waneta Expansion Limited Partnership	-	-	8,172	17,725	18,155
TOTAL OPERATING REVENUE	24,579	24,506	33,833	58,067	58,405
OTHER EXPENSES					
Staff & office costs (Net of Recoveries)	2,983	3,267	3,255	3,274	3,235
Project Development Cost	182	300	500	500	500
Community Sponsorship	85	95	110	107	107
Grants-in-Lieu	504	511	523	535	548
TOTAL OPERATING EXPENSES	3,754	4,173	4,388	4,416	4,390
EBITDA	20,825	20,333	29,445	53,651	54,015
Amortization and Financing					
Interest Expense	1,143	11,250	11,393	11,419	11,446
Amortization of Property, Plant & Equipment	433	207	207	230	251
Less: Interest revenue	(993)	(903)	(750)	(1,172)	(1,803)
Total Amortization & Financial Expenses	583	10,554	10,850	10,477	9,894
NET INCOME	20,242	9,779	18,595	43,174	44,121

[1] The decrease in revenue from BEPC in 2017/18 is due to the end of the federal government EcoEnergy grant after September 2017.
[2] ALPC increase in revenue in 2016/17 is due to the commencement of a new energy purchase agreement with BC Hydro at a higher price of energy.

Key Forecast Assumptions

- Columbia Power is looking to grow strategically in the power generation business by utilizing its expertise in all aspects of hydroelectric project development: feasibility assessment, community and First Nations consultation, permitting, procurement, contract negotiations, risk allocation, construction oversight, commissioning and operation. Columbia Power assumes both human and capital resources to ensure its objectives are attainable and does not foresee any significant challenges.

- Columbia Power's assets provide stable streams of revenue. Factors that could affect commercial operations include: capital and operating requirements of the assets under management, and regulatory and/or legislative changes imposed on existing assets. Operations and maintenance service for ALPC and BEPC are provided by FortisBC Pacific Holdings Inc. under a management agreement. Operational risks experienced by the service provider may impact the provision of services.

- Future dividends to the Province will be determined based on annual earnings, working capital requirements, contingency reserves, reserves for future sustaining capital requirements, and new power project investment opportunities. Dividend policy has been reviewed and approved by the Province and is incorporated into this service plan.

Key assumptions affecting the forecast operations are as follows:

- Operating cost inflation, including water rental increases, is approximately 2% per year.
- Columbia Power's dividends to the Province remain at $2.0 million for 2015/16 and then subject to a dividend payment formula approved by the Province. These payments are also conditional on approval of proposed capital projects by Treasury Board as per Columbia Power's Agency Agreement.
- Columbia Power assumes adequate working capital reserves to maintain its operations and meet its goals within the service plan period and into the future.
- Plant availability for ALH and BRX are as forecast.
- The Waneta Expansion Project will be built on-schedule and on-budget and commence operations as forecast.
- Capital and operating needs of the assets under management are as forecast.
- Project development opportunities will continue to progress through the JDC. The provision for capital spending and project development spending will be utilized at the levels indicated assuming that potential projects under review are viable projects for investment.

The issues, impacts and potential magnitude of the risks associated with the above assumptions and how these risks are managed are provided in the following table. Risk matrix/management table.

- In consultation with the Ministry of Energy and Mines and the Ministry of Finance, Columbia Power has developed a dividend payment policy that aligns management's objectives with that of the shareholder. Columbia Power assumes adequate working capital reserves will be maintained that enables the company to sustain its operations and meet its liabilities from sources outside the government reporting entity currently and into the future while also providing a return to the Province.

Plant availability has a large impact on forecast revenues. Unanticipated operations and maintenance cost increases and capital requirements could impact net revenues. If the ALH plant outage factor

were to increase by one percentage point, revenues and net income would decline by $392,000 in 2015/16. If the BRX plant outage factor were to increase by one percentage point, revenues and net income would decline by $353,000 in 2015/16. To compensate for the potential variability of plant availability a provision for unplanned outages is incorporated into the revenue projections for ALH and BRX. To impact the revenue results from operations, plant reliaiblity will have to fall below the targets presented in Goal 2 of the performance measures.

Major construction projects are difficult, complex and expensive undertakings taking place over a number of years. Delays to the construction schedule could negatively impact future revenues. For fiscal 2015/16 Columbia Power is forecasting $8.2 million in income from WELP. Earlier completion, currently anticipated, could result in incremental revenues of $4.1 million.

During project development, meeting regulatory and environmental requirements and securing commercial agreements can be challenging. The inability to secure required agreements could impact future power project viability. Columbia Power's service plan includes capital expenditures for new project development. The development costs are deferred and are not anticipated to impact net income in the service plan period. Columbia Power's service plan includes costs for new project development. As long as a new project is viable, the development costs are deferred and not anticipated to impact net income during the service plan period. If it is determined that a project is no longer viable, the development costs are fully expensed at that time. Project viability depends on Columbia Power's ability to meet regulatory and environmental standards, obtain project approval from Treasury Board and to secure commercial agreements required for project implementation.

Management Perspective on Future Financial Outlook

The financial outlook for the forecast period indicated shows significant growth in net income in 2015/16 and again in 2016/17. This growth is due to Waneta Expansion commencing Commercial Operation in 2015 and Arrow Lakes receiving higher power prices in January 2016. Management anticipates that the financial performance of the company with meet expectations.

Capital Plan and Major Projects

Capital Expenditure by Year and Type

($in thousands)	2013/14 Actual	2014/15 Forcast	2015/16 Budget	2016/17 Plan	2017/18 Plan
Capital Project #1 Waneta Expansion Project[1]	33,374	20,015	5,500	1,000	7,077

1 Capital spending forecast for Waneta Expansion in 2017/18 reflects costs to final acceptance for the project. Substantial completion is anticipated in 2015.

Capital Project #1 – Waneta Expansion Project

The Waneta Expansion Project near Trail is one of the largest hydroelectric projects currently under construction in British Columbia. When complete in 2015, it will generate 335 MW of clean, hydroelectric energy by sharing the water from the existing dam. It will provide enough energy to power about 60,000 homes per year and will reduce greenhouse gas emissions by 400,000 tonnes, the equivalent of taking 78,000 cars off the road.

The project is owned by the Waneta Expansion Limited Partnership (WELP), a limited partnership owned by Fortis Inc. (51 per cent), Columbia Power (32.5 per cent), and the Trust (16.5 per cent). WELP is managed by a general partner, Waneta Expansion General Partner Ltd. (WEGP), which is also owned by Fortis Inc., Columbia Power and the Trust. WEGP has a seven-member Board of Directors comprised of four nominees of Fortis Inc., two nominees of Columbia Power, and one nominee of the Trust. Columbia Power acts as the Owner's Representative, managing the construction of the project on behalf of the partners. Fortis Pacific Holdings Inc. will be responsible for the operation of the facility.

- The risks associated with the project are disclosed in the following table: Risk matrix/management table.

Appendix A:

Hyperlinks to Additional Information

- Corporate Governance
    - Organizational Overview
    - Mandate Letter
    - Risk Matrix/Management Table Source & Reliability of Performance Plan Data

Appendix B:

Subsidiaries and Operating Segments

Active Subsidiaries

Columbia Power owns three hydropower facilities in joint venture partnership with Columbia Basin Trust (the Trust). These facilities are owned by corporations jointly owned by Columbia Power and indirect subsidiaries of the Trust, as follows:

Brilliant Power Corporation (BPC): owns the Brilliant Dam and Generating Station (BRD) and the Brilliant Terminal Station.

Arrow Lakes Power Corporation (ALPC): owns the Arrow Lakes Generating Station (ALH) and associated 48-kilometre transmission line from the power plant to BC Hydro's Selkirk substation.

Brilliant Expansion Power Corporation (BEPC): owns the Brilliant Expansion Generating Station (BRX).

The Boards of Directors of these corporations are comprised of six Directors, three nominated by Columbia Power and three nominated by the Trust. Columbia Power manages these assets on behalf of the joint ventures. Senior management for these corporations is consistent with that of Columbia Power.

The Brilliant Dam and Generating Station, the Arrow Lakes Generating Station, the Brilliant Expansion Generating Station and Brilliant Terminal Station are operated and maintained by FortisBC (a subsidiary of Fortis Inc.) or its related company, FortisBC Pacific Holdings Inc., under the oversight of Columbia Power.

Most of the power generated at these facilities is committed under long-term sales agreements to two utilities, FortisBC and BC Hydro. Short-term sales of capacity and energy maximize revenue.

Summary Financial Outlook Table
Arrow Lakes Generating Station

($ in thousands)	2013/14 Actual	2014/15 Forcast	2015/16 Budget	2016/17 Plan	2017/18 Plan
Revenues	37,515	38,160	39,443	68,098	68,951
Expenses	11,038	12,004	12,413	12,130	11,871
Amortization & Financing Expenses	26,344	26,450	25,272	24,763	24,429
Net Income (Loss)	133	(294)	1,758	31,205	32,651

Capital Expenditures

The ALPC capital plan for the service plan period incudes $580 thousand in capital expenditures for fiscal 2015/16 and $1.9 million for both fiscal 2016/17 and 2017/18. The most significant costs are related to the rotor cleaning for both units 1 and 2.

Summary Financial Outlook Table
Brilliant Power Corporation

($ in thousands)	2013/14 Actual	2014/15 Forcast	2015/16 Budget	2016/17 Plan	2017/18 Plan
Revenues	42,011	43,564	44,474	44,765	45,427
Expenses	11,499	12,598	13,099	13,063	13,421
Amortization & Financing Expenses	9,844	9,391	8,914	8,381	7,807
Net Income	20,668	21,575	22,461	23,321	24,199

Capital Expenditures

The BPC capital plan for the service plan period incudes $3.3 million in capital expenditures for fiscal 2015/16, $2.5 million for fiscal 2016/17 and $1.6 million 2017/18. The most significant costs are related to concrete rehabilitation estimated at $750 thousand for each year, spillway gate refurbishment and stop log refurbishment.

Summary Financial Outlook Table
Brilliant Expansion Power Corporation

($ in thousands)	2013/14 Actual	2014/15 Forcast	2015/16 Budget	2016/17 Plan	2017/18 Plan
Revenues	36,730	34,718	35,911	36,236	35,260
Expenses	9,303	9,345	9,712	9,569	10,812
Amortization & Financing Expenses	4,842	4,967	5,023	5,063	5,124
Net Income	22,585	20,406	21,176	21,604	19,324

Capital Expenditures

The BEPC capital plan for the service plan period incudes $1.6 million in capital expenditures for fiscal 2015/16 and $2.5 million for fiscal 2016/17 and $250 thousand in 2017/18. The most significant costs are related to the control room replacement over 2015/16 and 2016/17 and the breast wall replacement in fiscal 2017/18.